

BIG RAPIDS HOUSING COMMISSION
BIG RAPIDS, MICHIGAN

FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2004
AND
REPORTS ON INTERNAL CONTROL AND
COMPLIANCE

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other			Local Government Name <i>Big Rapids Housing Commission</i>		County <i>Macatawa</i>
Audit Date <i>3/31/04</i>	Opinion Date <i>6/23/04</i>	Date Accountant Report Submitted to State <i>8/15/04</i>			

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) 2004 the Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ yes ☒ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).	✓		

Certified Public Accountant (Firm Name) <i>Barry E. Gaudeske, CPA PC</i>			
Street Address <i>1100 E. 9th Street</i>	City <i>Traverse City</i>	State <i>MI</i>	ZIP <i>49686</i>
Accountant Signature <i>Barry E. Gaudeske CPA</i>			

BIG RAPIDS HOUSING COMMISSION
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INTRODUCTION

Independent Auditor's Report

Board of Commissioners
Big Rapids Housing Commission
Big Rapids, Michigan

We have audited the accompanying financial statements of the Big Rapids Housing Commission, Michigan (a component unit of the City of Big Rapids) as of March 31, 2004, and for the year then ended as listed in the table of contents. These financial statements are the responsibility of the Housing Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Big Rapids Housing Commission, Michigan, as of March 31, 2004, and the results of its operations and cash flows for the year then ended in conformity with generally accepted accounting principles in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 25, 2004 on our consideration of Big Rapids Housing Commission, Michigan's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Big Rapids Housing Commission
Independent Auditor's Report
Page Two

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying combining balance sheets, statements of revenues, expenses, changes in equity and cash flows, the schedule of expenditures of Federal awards and the Financial Data Schedule are presented for the purpose of additional analysis and is not a required part of the basic financial statements of the Housing Commission. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Sam E. Audette, CPA, PC

June 25, 2004

FINANCIAL STATEMENTS

BIG RAPIDS HOUSING COMMISSION
COMBINED BALANCE SHEET
March 31, 2004
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ASSETS

Current Assets:

Cash	\$ 205,598
Accounts receivable	54,633
Allowance for doubtful accounts	(5,978)
Accrued interest receivable	148
Investments-unrestricted	82,765
Prepaid expenses	93,826
Inventories	8,094
Due from other programs	<u>257,121</u>

Total Current Assets	<u>696,207</u>
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Restricted investments	<u>5,925</u>
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Property, Plant, and Equipment:

Land	337,455
Buildings	12,441,272
Equipment	452,931
Building improvements	626,814
Construction in progress	<u>227,008</u>
	14,085,480
Less: accumulated depreciation	<u>(7,973,923)</u>

Net Property, Plant, and Equipment	6,111,557
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Other Assets:

Organization expenses	<u>7,296</u>
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Total Noncurrent Assets	<u>6,118,853</u>
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Total Assets	<u>\$ 6,820,985</u>
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See notes to financial statements

BIG RAPIDS HOUSING COMMISSION
COMBINED BALANCE SHEET (CONTINUED)
March 31, 2004
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LIABILITIES and EQUITY

Current Liabilities:

Bank overdraft	\$ 8,287
Accounts payable	74,644
Tenant security deposit liability	77,379
Accrued expenses	27,632
Deferred revenues	24,894
Current portion of long-term debt	26,006
Other current liabilities	5,925
Due to other programs	<u>257,121</u>

Total Current Liabilities	<u>501,888</u>
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Noncurrent Liabilities:

Long-term debt, net of current	417,240
Accrued compensated absences	<u>22,344</u>

Total Noncurrent Liabilities	<u>439,584</u>
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Total Liabilities	<u>941,472</u>
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Equity:

Contributed capital-HUD	4,501,011
Undesignated retained earnings	<u>1,378,502</u>

Total Equity	<u>5,879,513</u>
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Total Liabilities and Equity	<u><u>\$ 6,820,985</u></u>
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See notes to financial statements

BIG RAPIDS HOUSING COMMISSION
**COMBINED STATEMENT OF REVENUE, EXPENSES AND
 CHANGES IN EQUITY**
 Year Ended March 31, 2004
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OPERATING REVENUES:

Dwelling rent	\$ 728,072
Non-dwelling rent	<u>22,602</u>
Total operating revenues	<u>750,674</u>

OPERATING EXPENSES:

Administration	660,146
Tenant services	19,274
Utilities	309,032
Ordinary maintenance and operation	384,559
General expenses	160,752
Interest expense	33,067
Depreciation	<u>536,675</u>
Total operating expenses	<u>2,103,505</u>

Operating income(loss)	<u>(1,352,831)</u>
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NONOPERATING REVENUES AND (EXPENSES):

Investment interest income	4,022
Other income	268,627
Operating grants	412,099
Capital grants	309,541
Gain/loss on sale of fixed assets	<u>50</u>

Total nonoperating revenues(expenses)	<u>994,339</u>
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Net income(loss)	(358,492)
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Prior period adjustments, equity transfers and correction of errors	7,262
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Equity, beginning	<u>6,230,743</u>
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Equity, ending	<u><u>\$ 5,879,513</u></u>
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See notes to financial statements

BIG RAPIDS HOUSING COMMISSION
COMBINED STATEMENT OF CASH FLOWS
 Year Ended March 31, 2004
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Cash flows from operating activities:

Operating(loss)	\$(1,352,831)
Adjustments to reconcile operating (loss) to net cash(used in) operating activities:	
Depreciation	536,675
Bad debt allowance	4,200
Adjustments	7,262
Changes in assets and liabilities:	
(increase) decrease in assets:	
Accounts receivable	572
Prepaid expenses	(45,460)
Inventories	(1,649)
Due from other programs	(156,796)
Other assets	208
Increase (decrease) in liabilities:	
Bank overdraft	8,287
Accounts payable-operations	4,597
Accrued wage/payroll taxes	145
Accrued compensated absences	5,056
Accrued interest	(110)
Tenant deposits	2,431
Deferred revenues	17,454
Accrued PILOT	(2,540)
Other current liabilities	(6,017)
Due to other programs	<u>156,796</u>
Net cash (used in) operating activities	<u>(821,720)</u>

**Cash flows from noncapital and related
financing activities:**

Operating grants	412,099
Gain(loss) on sale of fixed assets	50
Other revenue	<u>293,285</u>
Net cash provided by noncapital and related financing activities	<u>705,434</u>

**Cash flows from capital and related financing
activities:**

Mortgage principal payments	(24,122)
Capital grants	296,293
Payments for capital acquisitions	<u>(472,746)</u>
Net cash (used in) capital and related financing activities	<u>(200,575)</u>

BIG RAPIDS HOUSING COMMISSION
COMBINED STATEMENT OF CASH FLOWS (CONTINUED)
Year Ended March 31, 2004
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Cash flows from investing activities:

Certificates of deposits cashed in	5,152
Receipts of interest and dividends	<u>4,028</u>

Net cash (used in) investing activities	<u>9,180</u>
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Net increase(decrease) in cash	(307,681)
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Cash, beginning	<u>513,279</u>
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Cash, ending	<u>\$ 205,598</u>
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Reconciliation of cash and cash equivalents per statement of cash flows to the balance sheet:

Cash	\$ 205,598
Restricted cash investments	5,925
Unrestricted cash investments	<u>82,765</u>

Cash and cash equivalents per balance sheet	<u>\$ 294,288</u>
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See notes to financial statements

BIG RAPIDS HOUSING COMMISSION
NOTES TO FINANCIAL STATEMENTS
March 31, 2004

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NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Reporting Entity

As required by generally accepted accounting principles, the financial statements of the reporting entity include those of the Big Rapids Housing Commission. The Big Rapids Housing Commission is a component unit of the City of Big Rapids, a Michigan home rule City. The Housing Commission is a Public Housing Agency created by the City of Big Rapids on March 18, 1963, consisting of a five member board appointed by the City Manager and charged with the responsibility to provide and service housing to meet the community's needs for affordable low-income housing. These financial statements include all of the resources and activities of the Big Rapids Housing Commission over which the Housing Commission exercises operational control or which have financial significance to the Housing Commission.

Grants and Other Intergovernmental Revenues

The Housing Commission has entered into contracts with the U.S. Department of Housing and Urban Development (HUD). Under Contract C-3022, the Housing Commission constructed, maintains and operates 287 units of subsidized housing in the City of Big Rapids, Michigan. The Housing Commission receives an annual operating subsidy determined under a performance formula for units owned by the Housing Commission. The Housing Commission also manages various business activities that include management of a 47 unit multifamily elderly apartment development, that also included some commercial units in Big Rapids, Michigan, the Stepping Stones Childcare Center, a Historical Restoration Project and a Homeownership program.

Fund Accounting

The accounts of the Housing Commission are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self balancing accounts that comprise its assets, liabilities, equity, revenues, and expenses. The Housing Commission's fund structure includes only proprietary funds. Under generally accepted accounting principles, proprietary funds are grouped into two broad categories - enterprise and internal service funds. Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs of providing goods and services to the general public on a continuing basis be financed or recovered through user charges; or

BIG RAPIDS HOUSING COMMISSION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
March 31, 2004
=====

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Accounting (Continued)

(b) where laws or regulations require that the activity's costs of providing services including capital costs (such as depreciation or debt service) be recovered with fees and charges rather than with taxes and similar revenues. All of the Housing Commission's funds are operated as enterprise type proprietary funds whereby costs of services are to be recovered through user charges or subsidies from other governmental units.

Basis of Accounting

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements, regardless of the measurement focus. The Housing Commission's financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting.

Under the economic resources measurement focus, all assets and all liabilities (whether current or noncurrent) are included in the balance sheets of the individual funds. Their reported equity is segregated into contributed capital and retained earnings components. Operating statements present increases (revenues) and decreases (expenses) in equity.

Under the accrual basis of accounting, all revenues are recorded when earned, regardless of when received, and all expenses are recorded when a liability is created, regardless of when paid.

In accordance with Governmental Accounting Standards Board Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the Big Rapids Housing Commission has elected to apply only those Financial Accounting Standards Board Statements issued prior to November 30, 1989 to its proprietary funds and to the proprietary funds of its component units.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Housing Commission considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

BIG RAPIDS HOUSING COMMISSION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
March 31, 2004
=====

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Insurance

The premiums on all major insurance policies are charged to prepaid insurance and amortized over the life of the policy.

Budgets and Budgetary Accounting

The Housing Commission is required under each of its HUD contracts to adopt an annual operating budget which must be approved by HUD. Budgetary data and comparison of actual and planned performance is reported directly to HUD based on specific program reporting requirements.

Receivables

All receivables are reported at their net value, reflecting where appropriate, by the estimated portion that is expected to be uncollectible. The Housing Commission estimates the uncollectible portion of tenant rents as a percentage of gross tenant rents using prior collection experience.

Short-term Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds. Receivables and payables arising from these transactions are classified as "due from other funds" and "due to other funds" on the balance sheet.

Fixed Asset Capitalization

Fixed assets with a cost to acquire or construct of \$600 or more are capitalized and depreciated over their estimated useful lives. Depreciation is provided on a straight-line basis using the following estimate of useful lives:

Land improvements	5 - 40 years
Buildings	40 years
Building improvements	7 - 40 years
Nondwelling structures	3 - 40 years
Equipment - dwellings	10 - 15 years
Furniture-equipment, administration	3 - 15 years
Organization costs	40 years

BIG RAPIDS HOUSING COMMISSION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
March 31, 2004
=====

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Equity

The Housing Commission classifies its equity as follows:

- a. Contributed capital represents pre-2001 contributions from grants, HUD notes, and other aids for capital acquisitions and improvements.
- b. Unreserved retained earnings indicate that portion of equity which is available for use in future periods.

Operating Revenues and Expenses

The Housing Commission includes in operating revenues resources that are derived or received from exchange transactions. Resources derived principally from non-exchange transactions are excluded from operating income. Operating expenses include the cost of providing services, excluding depreciation. Depreciation, amounts expended for capital additions and amounts expended for retirement-of-debt are excluded from operating expenses. Depreciation expense is charged to contributed capital rather than retained earnings.

Use of Estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires the use of management estimates. The Housing Commission uses estimates of useful lives of its fixed assets and other estimates in preparing its financial statements. Actual results may differ from the Housing Commission's estimates.

Vacation and Sick Leave

The Housing Commission allows permanent employees to accumulate the following compensated absences:

- * Vacation time not taken by employees may be accumulated to the number of weeks earned in two years upon approval of the Executive Director. Any accrued vacation leave unused after two (2) years will be forfeited by the employee.
- * Each regular full-time employee shall accumulate sick leave at the rate of one (1) day of each thirty (30) calendar days of service. An employee may accumulate a maximum of one hundred fifty (150) days. An employee who has accumulated sick days is eligible to receive fifty percent (50%) of that

BIG RAPIDS HOUSING COMMISSION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
March 31, 2004
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NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Vacation and Sick Leave (Continued)

time upon death or retirement.

Each regular part-time employee shall accumulate sick leave at the rate of one half (1/2) day of each 30 calendar days of service. A part-time employee may accumulate a maximum of seventy-five (75) days. A part-time employee that accumulates six (6) sick days in a given year may use two of those sick days as personal leave in the subsequent year. No part-time sick leave can be accumulated and redeemed for pay when employment ceases.

- * Personal leave is earned at a rate of three days per year. Unused personal leave cannot be accumulated.

The amount of accumulated benefits at March 31, 2004, was \$45,596, and is recorded as a liability in the applicable funds.

Post Employment Benefits

The provision for pension cost is recorded on an accrual basis, and the Commission's policy is to fund pension costs as they accrue.

Income Taxes

As a component unit of a Michigan home rule city, the Housing Commission is exempt from federal and state income taxes. The Housing Commission has no unrelated business income.

NOTE 2: CASH AND INVESTMENTS

The Housing Commission maintains cash and investment accounts in the Low Rent Program and various Business Activities funds.

HUD authorizes the Housing Commission to invest in certificates of deposit, money-market funds, United States government securities, and repurchase agreements fully collateralized by United States government securities.

The Housing Commission's investments are categorized below to give an indication of the level of risk assumed by the entity at year end.

BIG RAPIDS HOUSING COMMISSION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 March 31, 2004
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NOTE 2: CASH AND INVESTMENTS (Continued)

Category 1: Includes deposits that are insured, registered, or for which the collateral securities are held by the Housing Commission or its agent in the Housing Commission's name. This includes FDIC or equivalent insurance coverage.

Category 2: Includes deposits for which the collateral securities are held by the dealer's trust department or agent in the Housing Commission's name.

Category 3: Includes all uninsured and uncollateralized deposits.

For all deposits shown below, the market value at the balance sheet date is substantially the same as the carrying value. The difference between the bank balance and carrying value is due to outstanding checks and/or deposits in transit. At various times during the year, the Housing Commission's deposits may have been higher than the March 31, 2004, balances detailed below. This means that the Housing Commission's risk and exposure could have been higher at these times. The Housing Commission had no significant type of deposits during the year not included below.

<u>Depository</u>	<u>Depository Balances by Category</u>				<u>Carrying Value</u>
	<u>1</u>	<u>2</u>	<u>3</u>	<u>Total</u>	
Chemical Bank	\$160,289	\$	\$	\$160,289	\$132,721
Northwestern					
Area Credit					
Union	70,467			70,467	70,467
Fifth Third					
Bank	<u>90,800</u>			<u>90,800</u>	<u>90,800</u>
Total Deposits	<u>\$321,556</u>	<u>\$</u>	<u>\$</u>	<u>\$321,556</u>	293,988
Petty cash					<u>300</u>
					<u>\$294,288</u>

BIG RAPIDS HOUSING COMMISSION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
March 31, 2004
=====

NOTE 2: CASH AND INVESTMENTS (Continued)

Reconciliation to Cash on Balance Sheet

Cash	
Investments	\$205,598
Restricted investment	82,765
	<u>5,925</u>
Total	<u>\$294,288</u>

Restricted Investment - Restricted investment is comprised of an escrow balance in the Low Rent Program.

NOTE 3: RECEIVABLES AND PAYABLES

Tenant Accounts Receivable

Tenant accounts receivable are recorded at gross amount and reduced by the estimated amount uncollectible in the Low Rent Program. At March 31, 2004, the receivables were \$3,043 with \$678 estimated as uncollectible.

Accounts Receivables - HUD

Amounts due from HUD represents funding due the Housing Commission for actual expenses for the programs financed. Balances at March 31, 2003 were as follows:

Public Housing Capital Fund Program	\$ <u>14,833</u>
Total	<u>\$ 14,833</u>

Accounts Receivables - Miscellaneous

There is an amount of \$7,693 due to the Low Rent Program from employees for payroll withholding for the flex program.

Inter-fund Receivables, Payables, and Transfers

Interfund receivables and payables are recorded as "due from other programs" and "due to other programs".

The amounts of interfund receivables and payables are as follows:

BIG RAPIDS HOUSING COMMISSION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 March 31, 2004
 =====

NOTE 3: RECEIVABLES AND PAYABLES (Continued)

Inter-fund Receivables, Payables, and Transfers (Continued)

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
Business Activity Program	\$ 30,750	Business Activity Program	\$ 242,288
Low Rent Program	<u>226,371</u>	Capital Fund Program	<u>14,833</u>
	<u>\$ 257,121</u>		<u>\$ 257,121</u>

Individual fund operating transfers during the fiscal year are as follows:

<u>Receiving Fund</u>	<u>Paying Fund</u>	<u>Amount</u>
Low Rent Program	Capital Fund Program	<u>\$ 65,000</u>

NOTE 4: CAPITAL ASSETS

Capital asset activity for the year ended March 31, 2004 was as follows:

	<u>Balance 03/31/03</u>	<u>Additions/Retirements/ Transfers</u>	<u>Balance 03/31/04</u>
Capital Fund Program			
Buildings	\$ 398,145	\$ 543,831	\$ 941,976
Furniture, equip. & machinery - dwellings		4,921	4,921
Furniture, equip. & machinery - administration	12,048	49,774	61,822
Construction in progress	295,423	295,423	
Building improvements	<u>5,127</u>	<u>6,438</u>	<u>11,565</u>
	710,743	<u>\$ 604,964</u>	<u>\$ 295,423</u>
Less accumulated depreciation	<u>(25,089)</u>	<u>\$ (44,662)</u>	<u>(69,751)</u>
Total	<u>\$ 685,654</u>		<u>\$ 950,533</u>

BIG RAPIDS HOUSING COMMISSION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 March 31, 2004
 =====

NOTE 4: CAPITAL ASSETS (Continued)

	<u>Balance</u> <u>03/31/03</u>	<u>Additions/Retirements/</u> <u>Transfers</u>	<u>Transfers</u>	<u>Balance</u> <u>03/31/04</u>
Low Rent Program				
Land	\$ 234,748	\$	\$	\$ 234,748
Buildings	10,985,502			10,985,502
Furniture, equip. & machinery - dwellings	162,514			162,514
Furniture, equip. & machinery - administration	221,686	2,708	7,957	216,437
Building improvements	<u>615,249</u>			<u>615,249</u>
	12,219,699	<u>\$ 2,708</u>	<u>\$ 7,957</u>	12,214,450
Less accumulated depreciation	<u>(7,366,799)</u>	<u>\$ (477,648)</u>	<u>\$ 7,957</u>	<u>(7,836,490)</u>
Total	<u>\$ 4,852,900</u>			<u>\$4,377,960</u>

	<u>Balance</u> <u>03/31/03</u>	<u>Additions/Retirements/</u> <u>Transfers</u>	<u>Transfers</u>	<u>Balance</u> <u>03/31/04</u>
Business Activities Program				
Land	\$ 102,707	\$	\$	\$ 102,707
Buildings	508,294	5,500		513,794
Furniture, equip. and machinery- administration	7,237			7,237
Construction in progress	<u>72,220</u>	<u>\$ 154,788</u>	<u>\$</u>	<u>\$ 227,008</u>
	690,458	<u>\$ 160,288</u>	<u>\$</u>	850,746
Less accumulated depreciation	<u>(53,526)</u>	<u>\$ (14,364)</u>	<u>\$ 208</u>	<u>(67,682)</u>
Total	<u>\$ 636,932</u>			<u>\$ 783,064</u>

BIG RAPIDS HOUSING COMMISSION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
March 31, 2004
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NOTE 5: CONTRIBUTED CAPITAL

The following is a summary of the activity in the Contributed Capital accounts:

	<u>Net HUD PHA Contributions</u>
Balance, beginning	\$ 4,933,404
Depreciation add back	<u>(432,393)</u>
Balance, ending	<u>\$ 4,501,011</u>

NOTE 6: POST EMPLOYMENT BENEFITS

Defined Benefit Plan for Employees hired before July 1, 1999

The Big Rapids Housing Commission participates in a pension plan, the Municipal Employees Retirement System (MERS). MERS is a Defined Benefit Program which operates within the Michigan Department of Management and Budget, Bureau of Retirement Systems. The pension covers all eligible full-time employees and requires a minimum contribution by the employee. At December 31, 2002, the date of the last completed actuarial evaluation, the Housing Commission's actual liability for retirement benefits was \$581,815. Assets available to meet this obligation were \$525,216. The Housing Commission is required to make estimated monthly contributions of \$1,328, which is 6.66% of the active member payroll. The Housing Commission contributed \$4,521 on covered wages of \$239,234 during the calendar year ended December 31, 2002. There are five(5) active members of which two(2) are vested and three(3) retirees and beneficiaries.

Statistical information concerning the plan can be obtained from MERS, which is contained in their annual report.

Defined Contribution Plan for Employees hired on or after July 1, 1999

The Big Rapids Housing Commission contributes to each participant's account an amount equal to seven percent of the participant's compensation and participants contribute three percent of their compensation to their account. Participants are vested 50% upon completion after two years of service and an additional 10% each year until they are one hundred percent vested after seven years of

BIG RAPIDS HOUSING COMMISSION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
March 31, 2004
=====

NOTE 4: POST EMPLOYMENT BENEFITS (Continued)

Deferred Contribution Plan for Employees hired on or after July 1, 1999 (Continued)

service.

This plan is also available to employees who were hired before July 1, 1999 and timely elected to opt out of the Defined Benefit Program prior to December 31, 1999.

The Housing Commission contributed a total of \$17,054.72 during the fiscal year ended March 31, 2004. As of December 31, 2003 there were 10 members and a Defined Contribution Plan Balance of \$69,841.

The specific terms and conditions governing this retirement plan is also controlled by the Municipal Employees' Retirement System of Michigan Plan Document and the administrative rules, regulations, and policies relating to that Plan Document.

Deferred Compensation Plan

In order to assist in the provision for retirement, a fund has been created to allow employees to save for retirement by beginning a deferred compensation program. Regular full time employees are eligible to participate in this program. The Housing Commission will make an additional contribution to the participant's account in an amount equal to one-third of the participant's contribution up to an additional one percent of compensation. Participants are vested in their and the Housing Commission's contributions in accordance with the Plan's guidelines. The Housing Commission made total (employer and employee) retirement contributions of \$2,315.78 to the American Funds for the 457 Plan during the fiscal year ended March 31, 2004.

NOTE 7: CURRENT VULNERABILITY DUE TO CERTAIN CONCENTRATIONS

The Housing Commission operates in a heavily regulated environment. The operations of the Housing Commission are subject to the administrative directives, rules and regulations of federal, state and local regulatory agencies, including, but not limited to, HUD. Such administrative directives, rules and regulations are subject to change by an act of Congress or an administrative change mandated by HUD. Such changes may occur with little notice to inadequate funding to pay for the related cost, including the additional administrative burden to comply with a change.

BIG RAPIDS HOUSING COMMISSION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 March 31, 2004
 =====

NOTE 8: RISK MANAGEMENT AND LITIGATION

The Housing Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees, and natural disasters for which it obtains coverage from commercial companies. The Housing Commission has had no settled claims resulting from these risks that exceed their commercial coverage in the current year or the three prior fiscal years.

NOTE 9: SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The Housing Commission maintains three Enterprise Funds which provide housing assistance and grant programs. Segment information for the year ended March 31, 2004, was as follows:

	<u>Low Rent Program</u>	<u>Capital Fund Program</u>	<u>Building Activities Program</u>
Operating revenue	\$ 643,466	\$	\$ 107,208
Depreciation	477,649	44,662	14,364
Operating(loss)	(956,433)	(62,162)	(334,236)
Operating grants	270,167	392,041	59,432
Net income(loss)	(567,819)	264,879	(55,552)
Operating transfers	65,000	(65,000)	-
Plant, property, and equipment:			
Additions	2,708	309,541	160,288
Deletions	7,957	-	-
Working capital	388,575	-	(188,331)
Total assets	4,962,784	965,366	892,835
Total equity	4,744,191	950,533	184,789

**NOTE 10: PRIOR PERIOD ADJUSTMENTS, EQUITY TRANSFERS AND
 CORRECTION OF ERRORS**

Business Activities Program

Payoff of 404 Woodward-sold 10/06/00	\$ 5,000
Payoff of 301 Bronson-sold prior year	2,000
Refund from Consumer's Energy for prior year expense	<u>262</u>
	<u>\$ 7,262</u>

BIG RAPIDS HOUSING COMMISSION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
March 31, 2004
=====

NOTE 11: LONG-TERM DEBT

The Big Rapids Housing Commission borrowed \$480,780.33 from Chemical Bank on August 8, 2002. As of March 31, 2004 the balance is \$443,246. The interest rate is 7.25%. The note is secured by two(2) parcels of real estate located at 101 and 102 S. Michigan Ave. in Big Rapids. There are to be 59 payments of \$4,775.00 beginning September 8, 2002 and one final payment due August 8, 2007.

The debt payments(principal) for the fiscal years ended March 31, 2005 (\$26,588); 2006 (\$27,093); 2007 (\$29,057); 2008 (\$31,163); and 2009 (\$33,422).

Balance at April 1, 2003	\$ 467,368
Principal payments	<u>(24,122)</u>
Balance at March 31, 2004	<u>\$ 443,246</u>
Current portion	\$ 26,588
Noncurrent portion	<u>416,658</u>
Total debt	<u>\$ 443,246</u>

NOTE 12: SUBSEQUENT EVENT

The Housing Commission will be receiving a fee of approximately \$161,000 that is due from the Nisbett-Fairman Limited Dividend Housing Association Limited Partnership per contract.

SUPPLEMENTARY INFORMATION

BIG RAPIDS HOUSING COMMISSION
COMBINING BALANCE SHEET
 March 31, 2004
 =====

C-3022	Capital
Low Rent	Fund
Program	Program
<u>14.850</u>	<u>14.872</u>

ASSETS

Current assets:

Cash	\$ 170,927	\$ 14,833
Accounts receivable-HUD		
Accounts receivable-miscellaneous	7,693	
Accounts receivable-tenant	3,043	
Allowance for doubtful accounts	(678)	
Accounts receivable-partnership		
Accrued interest receivable	148	
Investments-unrestricted	82,765	
Prepaid expenses	80,536	
Inventories	8,094	
Due from other programs	<u>226,371</u>	
Total current assets	<u>578,899</u>	<u>14,833</u>

Restricted investments

<u>5,925</u>	
--------------	--

Noncurrent Assets:

Property, plant, and equipment:

Land	234,748	
Buildings	10,985,502	941,976
Equipment	378,951	66,743
Building improvements	615,249	11,565
Construction in progress		
	<u>12,214,450</u>	<u>1,020,284</u>
Less accumulated depreciation	<u>(7,836,490)</u>	<u>(69,751)</u>

Net property, plant and
equipment

4,377,960	950,533
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Other assets-organization expenses

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Total noncurrent assets

<u>4,377,960</u>	<u>950,533</u>
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Total Assets

<u>\$ 4,962,784</u>	<u>\$ 965,366</u>
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Business
Activities
Program

Totals

\$ 34,671	\$ 205,598
	14,833
	7,693
5,300	8,343
(5,300)	(5,978)
23,764	23,764
	148
	82,765
13,290	93,826
	8,094
<u>30,750</u>	<u>257,121</u>
<u>102,475</u>	<u>696,207</u>
<u> </u>	<u>5,925</u>
102,707	337,455
513,794	12,441,272
7,237	452,931
	626,814
<u>227,008</u>	<u>227,008</u>
850,746	14,085,480
(67,682)	(7,973,923)
783,064	6,111,557
<u>7,296</u>	<u>7,296</u>
<u>790,360</u>	<u>6,118,853</u>
<u>\$ 892,835</u>	<u>\$ 6,820,985</u>

BIG RAPIDS HOUSING COMMISSION
COMBINING BALANCE SHEET (CONTINUED)
 March 31, 2004
 =====

	C-3022 Low Rent Program <u>14.850</u>	Capital Fund Program <u>14.872</u>
LIABILITIES and EQUITY		
Current liabilities:		
Bank overdraft	\$ 8,287	\$
Accounts payable	68,333	
Tenant security deposit liability	71,229	
Accrued expenses	22,961	
Deferred revenues	19,514	
Current portion of long-term debt		
Other current liabilities	5,925	
Due to other programs		<u>14,833</u>
Total current liabilities	<u>196,249</u>	<u>14,833</u>
Noncurrent liabilities:		
Long-term debt, net of current		
Accrued compensated absences	<u>22,344</u>	
Total noncurrent liabilities	<u>22,344</u>	
Total liabilities	<u>218,593</u>	<u>14,833</u>
Equity:		
Contributed capital - HUD	4,501,011	
Undesignated retained earnings (deficit)	<u>243,180</u>	<u>950,533</u>
Total equity	<u>4,744,191</u>	<u>950,533</u>
Total Liabilities and Equity	<u><u>\$4,962,784</u></u>	<u><u>\$ 965,366</u></u>

Business
Activities
Program

Totals

\$	\$
6,311	8,287
6,150	74,644
4,671	77,379
5,380	27,632
26,006	24,894
	26,006
	5,925
<u>242,288</u>	<u>257,121</u>
<u>290,806</u>	<u>501,888</u>

417,240	417,240
	<u>22,344</u>
<u>417,240</u>	<u>439,584</u>
<u>708,046</u>	<u>941,472</u>

	4,501,011
<u>184,789</u>	<u>1,378,502</u>
<u>184,789</u>	<u>5,879,513</u>
<u>\$ 892,835</u>	<u>\$ 6,820,985</u>

BIG RAPIDS HOUSING COMMISSION
COMBINING STATEMENT OF REVENUE, EXPENSES AND
CHANGES IN EQUITY

Year Ended March 31, 2004

=====

	C-3022 Low Rent Program <u>14.850</u>	Capital Fund Program <u>14.872</u>
OPERATING REVENUES:		
Dwelling rent	\$ 620,988	\$
Nondwelling rent	<u>22,478</u>	<u> </u>
Total operating revenues	<u>643,466</u>	<u> </u>
OPERATING EXPENSES:		
Administration	403,177	10,000
Tenant services	19,274	
Utilities	262,510	
Ordinary maintenance and operation	312,224	7,500
General expenses	125,065	
Interest expense		
Depreciation	<u>477,649</u>	<u>44,662</u>
Total operating expenses	<u>1,599,899</u>	<u>62,162</u>
Operating income(loss)	<u>(956,433)</u>	<u>(62,162)</u>
NONOPERATING REVENUES AND (EXPENSES):		
Operating transfers in (out)	65,000	(65,000)
Investment interest income	3,805	
Other income	49,592	
Operating grants	270,167	82,500
Capital grants		309,541
Gain/loss on sale of fixed assets	<u>50</u>	<u> </u>
Total nonoperating revenues (expenses)	<u>388,614</u>	<u>327,041</u>
Net income(loss)	<u>(567,819)</u>	<u>264,879</u>
Prior period adjustments, equity transfers and correction of errors		
Equity, beginning	<u>5,312,010</u>	<u>685,654</u>
Equity, ending	<u>\$4,744,191</u>	<u>\$950,533</u>

Business Activities Program	Totals
\$ 107,084	\$ 728,072
<u>124</u>	<u>22,602</u>
<u>107,208</u>	<u>750,674</u>
246,969	660,146
46,522	19,274
64,835	309,032
35,687	384,559
33,067	160,752
<u>14,364</u>	<u>33,067</u>
	<u>536,675</u>
<u>441,444</u>	<u>2,103,505</u>
<u>(334,236)</u>	<u>(1,352,831)</u>
217	4,022
219,035	268,627
59,432	412,099
	309,541
	<u>50</u>
<u>278,684</u>	<u>994,339</u>
(55,552)	(358,492)
7,262	7,262
<u>233,079</u>	<u>6,230,743</u>
<u>\$ 184,789</u>	<u>\$ 5,879,513</u>

BIG RAPIDS HOUSING COMMISSION
COMBINING STATEMENT OF CASH FLOWS
 Year Ended March 31, 2004
 =====

	C-3022 Low Rent Program <u>14.850</u>	Capital Fund Program <u>14.872</u>
Cash flows from operating activities:		
Operating(loss)	\$(956,433)	\$(62,162)
Adjustments to reconcile operating (loss) to net cash(used in) operating activities:		
Depreciation	477,649	44,662
Bad debt allowance	600	
Adjustments		
Changes in assets and liabilities:		
(Increase) decrease in assets:		
Accounts receivable	2,372	
Prepaid expenses	(32,170)	
Inventories	(1,649)	
Due from other programs	(126,896)	
Other assets		
Increase (decrease) in liabilities:		
Bank overdraft	8,287	
Accounts payable-operations	5,449	
Accrued wage/payroll taxes	145	
Accrued compensated absences	4,634	
Accrued interest		
Tenant deposits	1,481	
Deferred revenues	12,474	
Accrued PILOT	(2,540)	
Other current liabilities	(6,017)	
Due to other programs		<u>13,248</u>
Net cash (used in) operating activities	<u>(612,614)</u>	<u>(4,252)</u>
Cash flows from noncapital and related financing activities:		
Operating grants	270,167	82,500
Gain(loss) on sale of fixed assets	50	
Other revenue	<u>45,732</u>	
Net cash provided by noncapital and related financing activities	<u>315,949</u>	<u>82,500</u>

<u>Business Activities Program</u>	<u>Totals</u>
\$ (334,236)	\$ (1,352,831)
14,364	536,675
3,600	4,200
7,262	7,262
(1,800)	572
(13,290)	(45,460)
	(1,649)
(29,900)	(156,796)
208	208
	8,287
(852)	4,597
	145
422	5,056
(110)	(110)
950	2,431
4,980	17,454
	(2,540)
	(6,017)
<u>143,548</u>	<u>156,796</u>
<u>(204,854)</u>	<u>(821,720)</u>
59,432	412,099
	50
<u>247,553</u>	<u>293,285</u>
<u>306,985</u>	<u>705,434</u>

BIG RAPIDS HOUSING COMMISSION
COMBINING STATEMENT OF CASH FLOWS (CONTINUED)
 Year Ended March 31, 2004
 =====

	C-3022 Low Rent Program <u>14.850</u>	Capital Fund Program <u>14.872</u>
Cash flows from capital and related financing activities:		
Mortgage principal payments		296,293
Capital grants		(309,541)
Payments for capital acquisitions	(2,709)	
Net cash (used in) capital and related financing activities	(2,709)	(13,248)
Cash flows from investing activities:		
Operating transfers in (out)	65,000	(65,000)
Certificates of deposits cashed in	5,152	
Receipts of interest and dividends	<u>3,811</u>	
Net cash provided by(used in) investing activities	<u>73,963</u>	(65,000)
Net increase(decrease) in cash	(225,411)	
Cash, beginning	<u>396,338</u>	
Cash, ending	<u>\$ 170,927</u>	<u>\$</u>

**Reconciliation of cash and cash equivalents per statement of cash
flows to the balance sheet:**

Cash	\$ 170,927	\$
Restricted cash investments	5,925	
Unrestricted cash investments	<u>82,765</u>	
Cash and cash equivalents per balance sheet	<u>\$ 259,617</u>	<u>\$</u>

Business
Activities
Program

Totals

(24,122)	(24,122)
	296,293
<u>(160,496)</u>	<u>(472,746)</u>

<u>(184,618)</u>	<u>(200,575)</u>
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	5,152
<u>217</u>	<u>4,028</u>

<u>217</u>	<u>9,180</u>
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(82,270)	(307,681)
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<u>116,941</u>	<u>513,279</u>
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<u>\$ 34,671</u>	<u>\$ 205,598</u>
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\$ 34,671	\$ 205,598
	5,925
	<u>82,765</u>

<u>\$ 34,671</u>	<u>\$ 294,288</u>
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BIG RAPIDS HOUSING COMMISSION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND NOTES TO THE SCHEDULE OF FEDERAL AWARDS
 Year Ended March 31, 2004
 =====

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Fiscal Year	<u>Federal Grantor</u>	<u>CFDA No.</u>	<u>Expenditures</u>
	<u>U.S. Department of HUD</u>		
	<u>Public and Indian Housing Nonmajor - Direct Program</u>		
2004	Low Rent Public Housing	14.850	\$ 270,167
	<u>Public and Indian Housing Major - Direct Program</u>		
2004	Capital Fund Program	14.872	<u>392,042</u>
	Total		<u>\$ 662,209</u>

NOTES TO THE SCHEDULE OF FEDERAL AWARDS

NOTE 1: Significant Accounting Policies

accrual The schedule of federal awards has been prepared on the
 basis of accounting.

CFDA = Catalog of Federal Domestic Assistance

BIG RAPIDS HOUSING COMMISSION

FINANCIAL DATA SCHEDULE

Year Ended March 31, 2004

=====

FDS Line Item No.		C-3022 Low Rent Program <u>14.850</u>	Capital Fund Program <u>14.872</u>
	ASSETS		
	Current Assets:		
	Cash:		
111	Cash-unrestricted	\$ 114,796	\$
114	Cash-tenant security deposits	<u>56,131</u>	
100	Total cash	<u>170,927</u>	
	Receivables:		
122	A/R-HUD other projects		14,833
125	A/R-miscellaneous	7,693	
126	A/R-tenants-dwelling rents	3,043	
126.1	Allow. for doubtful accounts	(678)	
127	Account receivable-partnership		
129	Accrued interest receivable	<u>148</u>	
120	Total receivables, net of allowance for doubtful accounts	<u>10,206</u>	<u>14,833</u>
	Other Current Assets:		
131	Investments-unrestricted	82,765	
132	Investments-restricted	5,925	
142	Prepaid expenses & other assets	80,536	
143	Inventories	8,094	
144	Interprogram due from	<u>226,371</u>	
	Total other current assets	<u>403,691</u>	
150	Total current assets	<u>584,824</u>	<u>14,833</u>
	Noncurrent Assets:		
	Fixed Assets:		
161	Land	234,748	
162	Buildings	10,985,502	941,976
163	Furn, equip & mach-dwellings	162,514	4,921
164	Furn, equip & mach-admin.	216,437	61,822
165	Building improvements	615,249	11,565
166	Accumulated depreciation	(7,836,490)	(69,751)
167	Construction in progress		
160	Total fixed assets, net of accumulated depreciation	4,377,960	950,533
174	Other assets-organization expenses		
180	Total noncurrent assets	<u>4,377,960</u>	<u>950,533</u>
190	Total Assets	<u>\$ 4,962,784</u>	<u>\$965,366</u>

Business
Activities
Program

Totals

\$ 34,671	\$ 149,467
	56,131

<u>34,671</u>	<u>205,598</u>
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	14,833
	7,693
5,300	8,343
(5,300)	(5,978)
23,764	23,764
	<u>148</u>

<u>23,764</u>	<u>48,803</u>
---------------	---------------

	82,765
	5,925
13,290	93,826
	8,094
<u>30,750</u>	<u>257,121</u>

<u>44,040</u>	<u>447,731</u>
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<u>102,475</u>	<u>702,132</u>
----------------	----------------

102,707	337,455
513,794	12,441,272
	167,435
7,237	285,496
	626,814
(67,682)	(7,973,923)
<u>227,008</u>	<u>227,008</u>

783,064	6,111,557
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<u>7,296</u>	<u>7,296</u>
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<u>790,360</u>	<u>6,118,853</u>
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<u>\$ 892,835</u>	<u>\$ 6,820,985</u>
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BIG RAPIDS HOUSING COMMISSION
FINANCIAL DATA SCHEDULE (CONTINUED)
 Year Ended March 31, 2004
 =====

FDS Line Item No.	C-3022 Low Rent Program <u>14.850</u>	Capital Fund Program <u>14.872</u>
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LIABILITIES AND EQUITY

Liabilities:

Current Liabilities:

311	Bank overdraft	\$ 8,287	\$
312	Accounts payable<=90 days	32,127	
321	Accrued wage/payroll taxes payable	2,355	
322	Accrued compensated absences	20,606	
325	Accrued interest payable		
333	Accounts payable-other government	36,206	
341	Tenant security deposits	71,229	
342	Deferred revenues	19,514	
343	Current portion of long-term debt		
345	Other current liabilities	5,925	
347	Interprogram due to		<u>14,833</u>
310	Total current liabilities	<u>196,249</u>	<u>14,833</u>
Noncurrent Liabilities:			
351	Long-term debt, net of current		
354	Accrued compensated absences	<u>22,344</u>	
350	Total noncurrent liabilities	<u>22,344</u>	
300	Total liabilities	<u>218,593</u>	<u>14,833</u>

Equity:

Contributed Capital:

504	Net HUD PHA contributions	<u>4,501,011</u>	
508	Total contributed capital	4,501,011	
512	Undesignated retained earnings	<u>243,180</u>	<u>950,533</u>
513	Total Equity/Net Assets	<u>4,744,191</u>	<u>950,533</u>
600	Total Liabilities and Equity	<u>\$ 4,962,784</u>	<u>\$965,366</u>

Business
Activities
Program

Totals

\$	\$
6,311	8,287
	38,438
	2,355
2,646	23,252
2,025	2,025
	36,206
6,150	77,379
5,380	24,894
26,006	26,006
	5,925
<u>242,288</u>	<u>257,121</u>
<u>290,806</u>	<u>501,888</u>
417,240	417,240
	<u>22,344</u>
<u>417,240</u>	<u>439,584</u>
<u>708,046</u>	<u>941,472</u>
	<u>4,501,011</u>
	4,501,011
<u>184,789</u>	<u>1,378,502</u>
<u>184,789</u>	<u>5,879,513</u>
<u>\$ 892,835</u>	<u>\$ 6,820,985</u>

BIG RAPIDS HOUSING COMMISSION
FINANCIAL DATA SCHEDULE (CONTINUED)
 Year Ended March 31, 2004
 =====

FDS Line Item No.		C-3022 Low Rent Program <u>14.850</u>	Capital Fund Program <u>14.872</u>
	Revenue:		
703	Net tenant rental revenue	\$ 620,988	\$
704	Tenant revenue-other	<u>22,478</u>	
705	Total tenant revenue	643,466	
706	HUD PHA grants	270,167	82,500
706.1	Capital grants		309,541
708	Other government grants		
711	Investment income-unrestricted	3,805	
715	Other revenue	49,592	
716	Gain/loss on sale of fixed assets	<u>50</u>	
700	Total revenue	<u>967,080</u>	<u>392,041</u>
	Expenses:		
	Administrative:		
911	Administrative salaries	236,777	10,000
912	Auditing fees	2,100	
914	Compensated absences	4,633	
915	Employee benefit contributions-adm.	101,273	
916	Other operating-administrative	58,394	
	Tenant Services:		
924	Tenant services-other	19,274	
	Utilities:		
931	Water	99,385	
932	Electricity	51,547	
933	Gas	111,578	
	Ordinary maintenance and operation:		
941	Ordinary maint & oper-labor	155,858	
942	Ordinary maint & oper-mat'ls & other	36,604	
943	Ordinary maint & oper-contract costs	46,985	
945	Employee benefit contributions- ordinary maintenance	71,730	
951	Protective services-labor		7,500
952	Protective services-other contract costs	1,047	
	General expenses:		
961	Insurance premiums	86,265	
962	Other general expenses	2,594	
963	Payments in lieu of taxes	36,206	
964	Bad debt-tenant rents		
967	Interest expense		
969	Total operating expenses	<u>1,122,250</u>	<u>17,500</u>

Business Activities Program	Totals
\$ 107,084	\$ 728,072
124	22,602
107,208	750,674
	352,667
	309,541
59,432	59,432
217	4,022
219,035	268,627
	50
<u>385,892</u>	<u>1,745,013</u>
199,001	445,778
	2,100
422	5,055
32,764	134,037
14,782	73,176
	19,274
20,529	119,914
18,142	69,689
7,851	119,429
17,300	173,158
35,517	72,121
10,695	57,680
1,323	73,053
	7,500
	1,047
19,272	105,537
	2,594
12,815	49,021
3,600	3,600
<u>33,067</u>	<u>33,067</u>
<u>427,080</u>	<u>1,566,830</u>

BIG RAPIDS HOUSING COMMISSION
FINANCIAL DATA SCHEDULE (CONTINUED)
Year Ended March 31, 2004
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FDS Line Item No.		C-3022 Low Rent Program <u>14.850</u>	Capital Fund Program <u>14.872</u>
970	Excess operating revenue over operating expenses	<u>(155,170)</u>	<u>374,541</u>
	Expenses continued:		
	Other expenses:		
974	Depreciation expense	<u>477,649</u>	<u>44,662</u>
	Total other expenses	<u>477,649</u>	<u>44,662</u>
900	Total expenses	<u>1,599,899</u>	<u>62,162</u>
	Excess (deficiency) of operating revenue over(under) expenses before other financing sources (uses)	<u>(632,819)</u>	<u>329,879</u>
	Other Financing Sources(Uses):		
1001	Operating transfers in	65,000	
1002	Operating transfers (out)	<u> </u>	<u>(65,000)</u>
1010	Total other financing sources(uses)	<u>65,000</u>	<u>(65,000)</u>
1000	Excess (deficiency) of operating revenue over(under) expenses	<u>(567,819)</u>	264,879
1103	Beginning Equity	5,312,010	685,654
1104	Prior period adjustments, equity transfers and correction of errors	<u> </u>	<u> </u>
	Ending Equity	<u>\$ 4,744,191</u>	<u>\$950,533</u>

<u>Business Activities Program</u>	<u>Totals</u>
<u>(41,188)</u>	<u>178,183</u>
<u>14,364</u>	<u>536,675</u>
<u>14,364</u>	<u>536,675</u>
<u>441,444</u>	<u>2,103,505</u>
<u>(52,552)</u>	<u>(358,492)</u>
<u> </u>	<u>65,000</u>
<u> </u>	<u>(65,000)</u>
<u> </u>	<u> </u>
<u>(55,552)</u>	<u>(358,492)</u>
<u>233,079</u>	<u>6,230,743</u>
<u>7,262</u>	<u>7,262</u>
<u>\$ 184,789</u>	<u>\$ 5,879,513</u>

Barry E. Gaudette, CPA, P.C.

CERTIFIED PUBLIC ACCOUNTANT

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**Report on Compliance and on Internal Control Over
Financial Reporting Based on an Audit of
Financial Statements Performed in Accordance
with Government Auditing Standards**

Board of Housing Commissioners
Big Rapids Housing Commission
Big Rapids, Michigan

We have audited the financial statements of the Big Rapids Housing Commission, Michigan, (Housing Commission) as of and for the year ended March 31, 2004, and have issued our report thereon dated June 25, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Housing Commission's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Housing Commission's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk

Report on Compliance and on Internal Control
In Accordance with Government Auditing Standard
Big Rapids Housing Commission
Page Two

Internal Control Over Financial Reporting - Continued

that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the audit committee, Board of Housing Commissioners, management, others within the organization, the Michigan Department of Treasury, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Bary E. Tardell, CPA, PC

June 25, 2004

**Report on Compliance with Requirement
Applicable To Each Major Program and
Internal Control over Compliance
in Accordance with OMB Circular A-133**

Board of Commissioners
Big Rapids Housing Commission
Big Rapids, Michigan

Compliance

We have audited the compliance of the Big Rapids Housing Commission, Michigan (Commission) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended March 31, 2004. The Commission's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Commission's management. Our responsibility is to express an opinion on the Commission's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Commission's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Commission's compliance with those requirements.

Report on Compliance and Internal Control
Over Compliance in Accordance With
OMB Circular A-133
Big Rapids Housing Commission
Page Two

Compliance (continued)

In our opinion, Commission complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended March 31, 2004.

Internal Control Over Compliance

The management of the Commission is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Commission's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the audit committee, Board of Commissioner, management, others within the organization, the Michigan Department of Treasury, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Bary E. Landolt, CPA

June 25, 2004

BIG RAPIDS HOUSING COMMISSION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

March 31, 2004

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A. Summary of Audit Results

Financial Statements

1. Type of Auditor's Report issued: Unqualified
2. Internal control over financial reporting:
 - a. Material weakness identified No
 - b. Reportable condition identified that is not a material weakness No
3. Noncompliance material to financial statements: No

Federal Awards

1. Internal control over major programs:
 - a. Material weakness identified No
 - b. Reportable condition that is not a material weakness No
2. Type of auditor's report issued on compliance for major programs Unqualified
3. Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133 No
4. Identification of major programs:

<u>CFDA</u> <u>Number</u>	<u>Federal Program</u>	<u>Amount</u> <u>Expended</u>	<u>Major</u> <u>Program</u>	<u>Compliance</u> <u>Requirement</u>	<u>Questioned</u> <u>Costs</u>	<u>Audit</u> <u>Finding</u>
14.850	Low Rent Public Housing Program	\$270,167	No	O	N/A	N/A
14.872	Capital Fund Program	<u>392,042</u>	Yes	O	N/A	N/A
	Total	<u><u>\$662,209</u></u>				

5. Dollar threshold used to distinguish between type A and type B programs \$500,000
6. Auditee qualified as low-risk auditee? Yes

BIG RAPIDS HOUSING COMMISSION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
March 31, 2004
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B.	Financial Statement Findings	None
C.	Federal Award Findings and Questioned Costs	None